United States Court of Appeals

for the Second Circuit

BRIEF FOR APPELLEE

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UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

MacMILLIN Co.)
v.) NO. 76-7545
IVOW CORPORATION)

APPELLEE'S BRIEF

KRISTENSEN, CUMMINGS & PRICE, 5 Grove St.,
Brattleboro, Vermont 05301

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

THE MACMILLIN CO., INC.

v.

IVOW CORPORATION & WILLIAM SZIRBIK

DOCKET NO. 76-7545

Appeal
from the

United States District Court
for the District of Vermont

APPELLEE'S BRIEF

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ATTORNEYS FOR APPELLEE

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OTHER AUTHORITIES

STATEMENT OF THE CASE

In May of 1972, Appellant I.V.O.W. Corporation, owner of a Manchester, Vermont shopping center, through its officers, Appellant William Szirbik and Virginia Szirbik, contacted Appellee MacMillin Company, a New Hampshire construction company, and asked it to prepare a proposal and cost estimate for the construction of an addition to the shopping center. Over the next six months, Appellee developed "unique and innovative" solutions to the problems incident to the addition and incorporated those solutions in working drawings which were the intellectual product of Appellee. (Findings, Appendix p. 6). During this period, Appellants dealt with no other builder and they led Appellee to believe that as soon as the working drawings, specifications and contracts were delivered, Appellee could begin construction. (Findings, Appendix pp. 5, 6(b), & 7).

Throughout, Appellee and Appellants were in regular communication concerning the specifications of the proposal, including the final proposed contract price of $166,032.00. (Findings, Appendix p. 5, 6(b)).

Relying on Appellants' actions and representations, Appellee prepared final working drawings, 13 pages of building specifications, and a contract ready for signing. At Appellants' request, these materials were delivered to Appellants' office on November 24, 1972. (Findings, Appendix p. 6). There, Appellee was told that the only step remaining before Appellant corporation signed the contract was the formal approval of one of I.V.O.W.'s principal shareholders in New York. Appellant tried to telephone the

shareholder at that time, but was unsuccessful. (Findings, Appendix p. 7). Appellee was assured that formal approval would be forthcoming within the next couple of days, and that thereafter Appellee would be able to proceed expeditiously with the construction. (Findings, Appendix p. 7).

Immediately after Appellee left the meeting, Appellant telephoned Etbro Construction Co., Inc. (Etbro) one of Appellee's competitors, requesting a meeting for the following day, November 25th. At that meeting, after deliberately cutting out Appellee's title box, Appellants gave Etbro copies of the materials developed by Appellee. Never again did Appellants contact Appellee.

About two weeks later, using Appellee's working drawings, Etbro, the ultimate builder of the project, submitted a quotation for the construction of the addition at a price of $165,000. This price was later reduced by $10,000.00 after negotiating and cost-cutting. (Findings, Appendix p. 8).

On December 15, 1972, Appellants, without Appellee's knowledge or authorization, used Appellee's drawings in its successful application for a permit before the local District Environmental Commission. (Findings, Appendix p. 8(b)).

Appellee initiated this action in Federal District Court for the District of Vermont charging Appellants with infringement of common law copyright and conversion. The Court found that Appellee had a common law copyright in its working drawings which Appellants had infringed, and further, that Appellants were liable to Appellee for conversion. The Court concluded that under the circumstances of this case, the most equitable measure of Appellee's

damage was the reasonable value to Appellant corporation of the use it made of Appellee's drawings. Damages of $12,500, together with interest from the time of the conversion, were awarded Appellee by the Court.

ISSUES

I. Is there substantive evidence to support the Trial Court's findings and conclusions that

A. Appellee had a Common Law Copyright?

B. Appellee did not surrender the Common Law Copyright by publication?

C. The Copyright was infringed by Appellants?

D. Appellants converted Appellees' property?

II. Was the Trial Court in error when it concluded that the Vermont Architectural Statutes did not preclude MacMillin's recovery for copyright infringement and conversion?

III. Was the Trial Court in error when it awarded MacMillin the sum of $12,500.00 in damages together with interest from the date of infringement and conversion?

I.

THE FACTS SUPPORT THE COURT'S CONCLUSIONS THAT APPELLEE HAD A COMMON LAW COPYRIGHT, THAT APPELLEE DID NOT SURRENDER THE COMMON LAW COPYRIGHT BY PUBLICATION, THAT THE COPYRIGHT WAS INFRINGED, AND THAT APPELLANTS CONVERTED APPELLEE'S PROPERTY.

It is well established that a trial court's findings will not be overturned unless the Appellant shows that there is no substantial evidence to support them. F.R.Civ.P. 52 (a), 28 U.S.C.A.; McAllister v. U.S. 348 U. S. 19 (1954); City of West Plains v. Loomis 279 F. 2d 564 (8th Cir. 1960); Chaney v. City of Galveston, 368 F. 2d 774, 776 (5th Cir. 1966). An examination of the record in this appeal will not only establish that there is abundant and substantial evidence to support each of the court's findings and conclusions, but that Appellants' protestations are little more than misplaced legal theories, totally devoid of support in the record.

A. Appellee Had A Common Law Copyright

There is abundant evidence in the record that Appellee MacMillin Company's employee, Allen McAnney, independently conceived of and produced the working drawings and other materials at issue here. McAnney testified at length concerning the amount of time he spent on the project, (Transcript p. 79, 80) the problems he encountered, (Transcript p. 33-35, 37, 47, 48, 49, 55) and the solutions he arrived at. (Transcript p. 37, 38, 39). MacMillin's treasurer, Mr. Norman Cotton, testified that ideas that went into the work were only those of MacMillin's personnel. (Appendix p. 37(d))

This evidence clearly supports Judge Holden's findings that "MacMillin's final proposal was primarily the original intellectual creation of Allen McAnney", (Findings, Appendix p. 6 and 11(b)), and that "The drawings.... embodied MacMillin's unique and innovative solution to the several problems posed by the project". (Findings, Appendix p. 6).

Appellants, however, completely ignore these findings and proceed with legal theories totally irrelevant to the case at hand. They state, perhaps correctly, that "One who commissions a work by an independent contractor is presumed to own a copyright, and cannot be an infringer, especially where he has contributed to the work." (Appellants' Brief, Argument I). Several cases are cited to support this theory. However, Appellants ignore the essential facts that no one "commissioned a work" in this case, and no other party "contributed" to Appellee's final product.

The Appellants' suggestion that this case involves a commissioning is particularly bewildering, since at the trial Appellant William Szirbik, I.V.O.W.'s corporate officer in charge of the shopping center addition, refused to admit that Appellants had even asked the Appellee to prepare the drawings. (Footnote 2, Appendix p. 16). The record is silent on any commissioning. On the contrary, the truth is MacMillin prepared the plans for I.V.O.W. only because it was led to believe it would be given the final construction contract. (Findings, Appendix pp. 5, 6(a), 6(b) and 7).

The Appellants' contention that I.V.O.W. contributed to the work of Appellee is also contrary to the evidence presented and

the weight given to it. The credibility of witnesses and the weight to be given to the evidence are matters solely within the province of the trial court. (5A C.J.S. Appeal and Error §1656). Appellant Szirbik testified that he contributed ideas and sketches to MacMillin's product. However, the Court gave "little credence" to the testimony. Indeed, the Court strongly suggested the drawings, claimed by Szirbik to be repreductions of his original work, were actually traced from Appellee's own drawings, (Footnotes 7 & 11, Appendix pp. 17 & 17(b)).

In short, Appellants offer no real challenge to the Court's conclusion that Appellee's working drawings were protected by Common Law Copyright. Inasmuch as the drawings contained substantial originality of their author, the law is clear that they are deserving of this protection. Nucor Corp. v. Tennessee Forging Steel Service, Inc. 476 F. 2d 386, 389-90; (8 Cir. 1972); Ketchum v. New York World's Fair, 1939, Inc., 34 F. Supp. 657, aff'd 119 F. 2d 422 (2nd Cir. 1941); Smith v. Paul, 174 Cal. App. 2d 744, 345 P. 24 546 (1959); Nimmer, The Law of Copyright, §25; 5 Am. Jur. 2d, Architects, §10; 77 A.L.R. 2d 1048.

B. Copyright Protection Was Not Lost Through Publication

The Appellant gets nowhere by suggesting that Plaintiff can claim no Common Law Copyright protection because the drawings were distributed to others and because Appellee did not expressly limit the use of the drawings. The Court answered these arguments by noting that "A limited publication of a work does not divest the holder of the Common Law Copyright". American Tobacco Co., v. Werckmeister, 207 U. S. 284, 299-300 (1907). The Court found that the distribution by Appellee was limited to a restricted

group and for a limited purpose. Nucor Corp. v. Tennessee Forging Steel Service, supra, at 390. The Court specifically concluded that under the circumstances of this case, "the plans were delivered under conditions impliedly precluding their dedication to the public". (Findings & Footnote 12, Appendix pp. 12 & 17)

C. The Copyright was Infringed by Appellant

The evidence clearly shows that Appellant made unauthorized disclosures of Appellee's copyrighted material, resulting in copies being made by another party. Appellant Szirbik testified that he turned Appellee's drawings over to Appellee's competitor, Etbro Construction Company. (Transcript p. 481). Etbro, in turn, gave the drawings to an architectural firm, Crandall Associates. (Transcript p. 301). Crandall's employee, Clarence Whitney testified that he used the drawings in preparing plans for the shopping center addition and Appellee's expert witness, William Haaskarl, opined that Appellee's drawings were traced (Transcript p. 249). The Court specifically found that portions of the plans prepared by Crandall were "drafted directly" from MacMillin's original drawings. (Findings and Footnote 9, Appendix pp. 8 and 17). Such unauthorized disclosure and use of appellee's drawings clearly amounted to an appropriation of that work by Appellants. The Court correctly concluded that "the appropriation of the fruits of MacMillin's labor by the Appellant in order to facilitate the preparation of comparable plans without the expenditure of time and effort required for independently arrived at results is copyright infringement. (Orgel v. Clark Boardman Co., 301 F. 2d 119, 120 (2nd Cir. 1962)

D. Appellant Converted Appellee's Property

The same evidence that established copyright infringement supports the Courts conclusion that Appellants converted Appellee's property. The Court correctly states the law of Conversion for the State of Vermont: "Conversion consists in...appropriating property to one's own use and beneficial enjoyment...exercising dominion over it to the exclusion of owner's rights..." Redd Distributing Co. v. Bruckner. 128 Vt. 635, 639 (1970); Restatement Second, Torts §228 (1965); Harper & James, The Law of Torts §2.24 (1965).

Appellants imaginatively argue that no conversion occurred. They assert that because the Court found that Appellants did not object to a preliminary proposal (Pl. Exhibit 3, Appendix p. 43) that Appellee be reimbursed the sum of $2,500 for "out of pocket cost" in the event that Appellants either abandoned the project or selected another contractor, ipso facto Appellee had sold its working drawings and specifications for $2,500.00 and by delivering them to Appellant, had voluntarily passed title to the materials to Appellant and Appellee's only remedies were limited by the Sales provisions of the Uniform Commercial Code. (9 V.S.A. §2-709)

This contention is ludicrous. The record is devoid of any suggestion of any sale of the drawings in issue. Indeed, as previously noted, Appellant Szirbik refused to admit that he had ever asked for any drawings. The record is clear and the Court's Findings explicit that the proposal was only to cover "out-of-pocket costs" and thereby partially compensates MacMillin for

design costs of between 8 and 9 1/2% of the total contract price customarily included in the final construction price. (Footnote 3, Appendix p. 16). Moreover, it is clear that the proposal was never finalized nor executed by either Appellants or Appellee. On the contrary, as the Court properly found, the proposal was set forth in a commitment letter prepared by Appellee to be submitted at a meeting held in early September 1972. However, at that meeting, Appellant changed the dimensions of the proposed addition. Since the commitment letter did not reflect the changes it was not submitted and thereafter, because of affirmative representations by Appellants that Appellee was the only builder being considered for the project and because Appellee justifiably considered that Appellant was seeking a "negotiated price contract," Appellee did not press for a written commitment. (Findings, Appendix pp. 4 and 5, Appendix p. 45)

Appellant does not challenge these findings, and, supported as they are by the record, they must stand. Appellants argument that Appellee's only right is for breach of contract of sale ignores the Court's Findings and misrepresents the facts of this case. As such, it must be rejected.

II.

THE DISTRICT COURT CORRECTLY CONCLUDED THAT APPELLEE'S ACTIVITIES IN PREPARING THE SPECIFICATIONS AND WORKING DRAWINGS FELL WITHIN THE EXCEPTION TO VERMONT'S LICENSING STATUTES

Vermont's architectural registration and licensing statutes are intended to prohibit unlicensed persons from holding themselves out as licensed professionals. 26 V.S.A. §122; Marcus & Nocka v. Goodrich, 127 Vt. 404, 250 A. 2d 739 (1969). They are not to be construed, to prevent "the preparation of working drawings, details, and shop drawings by persons other than architects in connection with the execution of their work". 26 V.S.A. §124 Judge Holden correctly found that Appellee's drawings fell within the purview of this section for two reasons. First, the drawings were "working drawings". (Findings, Appendix pp. 9(c), 10 and 11). Second, they were prepared by a construction company in connection with the regular execution of its work. (Findings, Appendix pp. 9(c) and 10)

The Court distinguished this case from others where recovery was denied, Rogers v. Kelley, 128 Vt. 146, 259 A. 2d 784 (1970) and Markus & Nocka v. Goodrich, supra and we quote: "The facts in the present action have a different bearing. No evidence was presented at the trial to indicate that MacMillin held itself out to I.V.O.W., or the public generally, as performing architectural services. MacMillin's preparation of the plans, drawings, and specifications for I.V.O.W. was work preparatory and incidental to the project which the plaintiff was led to believe it would be

engaged to construct. There was no intention for the plaintiff to submit the proposal as a professional architect." Findings, Appendix p. 10).

The Court's findings are clearly supported by the evidence. All expert testimony characterized the drawings as "working drawings", and it was pointed out several times that the only reason Appellee prepared the drawings was because it was told that it would be retained to do the construction of the shopping center addition.

Appellants, in challenging the Court's decision on this point, do little more than misstate the facts and misrepresent the Court's reasoning. The interpretation of the Vermont licensing statutes that Appellants advance, rather than protecting the public from someone who fraudulently holds himself out as being a licensed architect would instead grant Appellants, under the facts of this case, a license to steal. Appellants' position must be rejected.

III.

THE DAMAGES AWARDED BY THE COURT ARE NOT ONLY CORRECT, BUT DEFENDANT HAS NOT SHOWN THAT THEY ARE "CLEARLY EXCESSIVE"

This Court has taken the position that a lower court's determination of damages will not be interfered with unless the award is so plainly out of measure as to be "clearly erroneous". Burke v. New York New Haven Railroad, 267 F. 2d 894 (2nd Cir. 1959); Marino v. U. S. 234 F. 2d 317 2nd Cir. 1956); Grant v. U.S. 271 F. 2d 651 (2nd Cir. 1959).

In this case, the trial court made it clear that it considered several factors in determining damages. Among those were the loss in value of the copyrighted material because of the infringements, the value of the work expended by the author of the copyrighted material, the value of the use of material by the infringer, and the loss of profits sustained by the owner on account of the infringement. 40 A.L.R. 3d 237, 245 It is the function of the trial judge to determine which factors, or what combination thereof, would provide the most equitable measure of the plaintiff's damage. See 18 Am. Jur. 2d Copyrights and Literary Property §136. Ultimately, the Court concluded that the fairest measure of Appellee's damages was the value to I.V.O.W. of its use of MacMillin's plans. (Findings, Appendix p. 14)

Not surprisingly, Appellants argue that the Court calculated damages improperly. Appellants claim that the Court should have set damages equal to the reasonable value of services rendered. This could and should have been done, they claim, by establishing a set percentage figure and multiplying that against the contract price.

Obviously, the difficulty lies in establishing the percentage figure. Although this mathematical method was not selected by Judge Holden, much testimony was given on the setting of such a percentage figure. In their appeal, Appellants devote much attention to this point. Appellants urge that a 6-7% percentage figure be used, which in turn would reduce the damage recovery. Their suggestion is both incorrect and poorly timed.

Since the date of Judge Holden's decision, The Vermont Supreme Court has handed down its unanimous decision in Clarence Whitney v. Brian Lea 135 Vt.--filed December 7, 1976. In that case, the Court stated that with respect to the fair and reasonable value of an architect's design work only, compensation based upon a percentage of 9.8% of the estimated cost of the building was correct. Had this same percentage figure been used by Judge Holden, Appellee would have been awarded $16,271 in damages. Appellant's contentions to the contrary are without merit.

Quite simply, the evidence in the record amply and justly supports the trial court's award of $12,500.00 damages. By way of an approximate value to I.V.O.W. of the drawings, MacMillin's expert testified that the reasonable value of the work incorporated within the documents was "$10,000 to $12,000" (Transcript P. 246) With this as a rough yardstick, Judge Holden went on to further consider the use made of the plans by Appellants. He noted that with the assistance of the MacMillin plans I.V.O.W. was able to obtain a firm bid for the project from the competitor Etbro Construction Company within two weeks; a period which would have been considerably longer if the plans had not been available. (Findings, Appendix p. 15) Further, that I.V.O.W. used the plans to obtain a State of Vermont environmental permit in December

1972. (Findings, Appendix p. 15) The Court also found that with the aid of the MacMillin plans, Crandall Associates was able to design a similar structure with a minimum of independent effort, and presumably, at a lower cost. (Findings, Appendix p. 15) Lastly, it was pointed out that Appellant derived benefit from the plans because it enabled Appellant to have the project completed and generating income at an earlier point in time than would have been possible without the use of Appellee's plans. (Findings, Appendix p. 15) In conclusion, Appellant was awarded a sum which was reasonable and clearly supported by the evidence.

Turning only briefly to Appellants' criticism regarding the alleged lack of a precise determination of damages, we note and are in agreement with the position taken by other federal courts when such claims are made: "It is also to be observed that one whose wrongful conduct has rendered difficult the ascertainment of the precise damages suffered by plaintiff is not entitled to complain that they cannot be measured with exactness." Szekely v. Eagle Lion Films, Inc. 140 F. Supp. 843 (S.D.N.Y. 1956); aff'd 242 F. 2d 266 (2nd Cir. 1957)

As to computation of interest, the trial court is again correct. Interest may be allowed on unliquidated claims from the date when the tort was determined to have been committed. 25 C.J.S., Damages §52, 53, 92; 36 A.L.R. 2d 388. The law in Vermont is the same. In Crumb v. Oakes 38 Vt. 566, (1866) interest was computed from the time of the conversion up to the time of trial. Similarly, in actions of trover, interest has been recoverable from the time of the completed injury. Thrall v. Lathrop 30 Vt. 307, 73 AD 306 (1859); Grant v. King 14 Vt. 367 (1842).

CONCLUSIONS

The Findings and Conclusions of the District Court are amply supported by the facts and in accord with the stated law. As such, they should be affirmed.

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

THE MACMILLIN CO., INC., Plaintiff-Appellee v. IVOW CORPORATION & WILLIAM SZIRBIK, Defendants-Appellants	CIVIL APPEAL DOCKET NO. 76-7545 CERTIFICATE OF SERVICE

I hereby certify that on the 18th day of March, 1977, I served the Appellee's brief herein upon all counsel of record by depositing two copies of the same in the united States Mail, postage prepaid, addressed as follows:

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Dated at Brattleboro, County of Windham and State of Vermont, this 18th day of March, 1977.

Philip R. Rosi

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